FNB CORP/FL/
Form 8-K
July 24, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

Date of Report: July 24, 2002

F.N.B. CORPORATION

(Exact name of registrant as specified in its charter)

Florida	0-8144	25-1255406
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2150 Goodlette Road North, Naples, Florida 34102

(Address of principal executive offices) (Zip code)

(239) 262-7600

(Registrant's telephone number, including area code)

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 5. OTHER EVENTS

On January 18, 2002, F.N.B. Corporation (the Corporation) completed its business combination with of Promistar Financial Corporation. Accordingly, the Corporation's Consolidated Financial Statements and Related Management's Discussion and Analysis of Financial Condition and Results of Operations have been provided giving retroactive effect to this merger using the pooling of interests method of accounting. The Corporation is hereby filing with the Securities and Exchange Commission a copy of the Audited

Consolidated Financial Statements for the years ended December 31, 2001, 2000 and 1999 and Management's Discussion and Analysis.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(C). Exhibits (all filed herewith)

Exhibit 23.1 Consent of Ernst & Young LLP, Independent Auditors

Exhibit 23.2 Consent of PricewaterhouseCoopers LLP

Exhibit 99.1 Consolidated Financial Statements for the years ended December 31, 2001, 2000 and 1999 with Report of Independent Auditors and Management's Discussion and Analysis

Exhibit 99.2 Report of Independent Auditors PricewaterhouseCoopers LLP for the 2000 and 1999 Audits of Promistar Financial Corporation

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934 the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

F.N.B. CORPORATION
(Registrant)

By: /s/John D. Waters

Name: John D. Waters
Title: Senior Vice President, Investor Relations

Dated: July 24, 2002

EXHIBIT INDEX

23.1	Consent of Ernst & Young LLP, Independent Auditors
23.2	Consent of PricewaterhouseCoopers LLP
99.1	Consolidated Financial Statements for the years ended December 31, 2001, 2000 and 1999 with Report of Independent Auditors and Management's Discussion and Analysis
99.2	Report of Independent Auditors PricewaterhouseCoopers LLP for the 2000 and 1999 Audits of Promistar Financial Corporation

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference of our report dated May 6, 2002, with respect to the consolidated financial statements of F.N.B. Corporation and subsidiaries included in this Current Report on Form 8-K dated July 24, 2002 in the following Registration Statements and Prospectuses:

1. Registration Statement on Form S-8 relating to F.N.B. Corporation 1990 Stock Option Plan (File #33-78114).

2. Registration Statement on Form S-8 relating to F.N.B. Corporation Restricted Stock Bonus Plan (File #33-78134).

3. Registration Statement on Form S-8 relating to F.N.B. Corporation 1996 Stock Option Plan (File #333-03489).

4. Registration Statement on Form S-8 relating to F.N.B. Corporation Restricted Stock and Incentive Bonus Plan (File #333-03493).

5. Registration Statement on Form S-8 relating to F.N.B. Corporation Directors Compensation Plan (File #333-03495).

6. Registration Statement on Form S-8 relating to F.N.B. Corporation 401(k) Plan (File #333-38372).

7. Post-Effective Amendment No.1 on Form S-8 to Registration Statement on Form S-4 (File #333-01997).

8. Post-Effective Amendment No.1 on Form S-8 to Registration Statement on Form S-4 (File #333-22909).

9. Registration Statement on Form S-3 relating to the F.N.B. Corporation Subordinated Notes and Daily Cash Accounts (File #333-74737).

10. Registration Statement on Form S-8 relating to stock options assumed in the acquisition of Mercantile Bank of Southwest Florida (File #333-42333).

11. Post-Effective Amendment No. 1 on Form S-8 to Registration Statement on Form S-4 (File #333-58727).

12. Registration Statement on Form S-3 relating to stock warrants assumed in the acquisitions of Southwest Banks, Inc. and West Coast Bancorp, Inc. (File #333-31124).

13. Post-Effective Amendment No. 1 to Form S-3 relating to the F.N.B. Corporation Dividend Reinvestment and Direct Stock Purchase Plan (File #333-38374).

14. Amendment No. 1 to Form S-3 relating to the registration of F.N.B. Corporation Subordinated Term Notes and Daily Notes (File #333-38370).

15. Registration Statement on Form S-8 relating to the F.N.B. Corporation Salary Savings Plan (File #333-40648).

16. Registration Statement on Form S-8 relating to the F.N.B. Corporation 1998 Directors Stock Option Plan (File #333-38376).

17. Registration Statement on Form S-8 relating to the F.N.B. Corporation 2001 Incentive Plan (File #333-63042).

18. Registration Statement on Form S-3 relating to the registration of F.N.B. Corporation and FNB Capital Trust I common stock, preferred stock, debt securities, warrants, and trust preferred securities (File #333-74866).

19. Registration Statement on Form S-8 relating to the F.N.B. Corporation 1996 Incentive Plan (File #333-83760).

20. Registration Statement on Form S-8 relating to stock option agreements granted under the Promistar Financial Corporation 1998 Equity Investment Plan and assumed by F.N.B. Corporation (File #333-83756).

/s/ERNST & YOUNG LLP

Birmingham, Alabama
July 24, 2002

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-3 (Nos. 333-74737, 333-31124, 333-38374, 333-38370 and 333-74866) and Forms S-8 (Nos. 33-78114, 33-78134, 333-03489, 333-03493, 333-03495, 333-38372, 333-01997, 333-22909, 333-42333, 333-58727, 333-40648, 333-38376, 333-63042, 333-83756 and 333-83760) of F.N.B. Corporation of our report dated January 23, 2001 except for Note 22, which is dated February 26, 2001 relating to the financial statements of Promistar Financial Corporation, which appears in the Current Report on Form 8-K of F.N.B. Corporation dated July 24, 2002.

/s/PRICEWATERHOUSECOOPERS LLP
Harrisburg, PA
July 24, 2002

EXHIBIT 99.1

Consolidated Financial Statements
and Management's Discussion and Analysis

F.N.B. Corporation and Subsidiaries

Years ended December 31, 2001, 2000 and 1999
with Report of Independent Auditors

F.N.B. Corporation and Subsidiaries

Consolidated Financial Statements and Management's Discussion and Analysis

Years ended December 31, 2001, 2000 and 1999

Contents

Report of Independent Auditors.. 1

Consolidated Financial Statements

- Consolidated Balance Sheets.................................... 2
- Consolidated Income Statements................................. 3
- Consolidated Statements of Stockholders' Equity................. 4
- Consolidated Statements of Cash Flows........................... 5
- Notes to Consolidated Financial Statements...................... 6

Selected Financial Data.. 33

Quarterly Earnings Summary... 34

Management's Discussion and Analysis of Financial Conditions and Results of Operations.. 35

Report of Independent Auditors

Board of Directors
F.N.B. Corporation

We have audited the consolidated balance sheets of F.N.B. Corporation and Subsidiaries (formed as a result of the consolidation of F.N.B. Corporation and Promistar Financial Corporation) as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. The consolidated financial statements give retroactive effect to the merger of F.N.B. Corporation and Promistar Financial Corporation on January 18, 2002, which has been accounted for using the pooling of interests method as described in the notes to the consolidated financial statements. These financial statements are the responsibility of management of F.N.B. Corporation. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Promistar Financial Corporation for the years ended December 31, 2000 and 1999, which statements reflect total assets constituting 34% in 2000 and net interest income constituting 32% in 2000 and 34% in 1999 of the related consolidated financial statement totals. Other auditors whose reports have been furnished to us audited those Promistar Financial Corporation statements, and our opinion, insofar as it relates to data included for Promistar Financial Corporation for 2000 and 1999, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of F.N.B. Corporation at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 after giving retroactive effect to the merger of Promistar Financial Corporation, as described in the notes to the consolidated financial statements in conformity with accounting principles generally accepted in the United States.

/s/ERNST & YOUNG LLP

Birmingham, Alabama
May 6, 2002

-1-

F.N.B. Corporation and Subsidiaries
Consolidated Balance Sheets

Dollars in thousands, except par values

December 31	2001	2000
Assets		
Cash and due from banks	$ 246,781	$ 207,940
Interest bearing deposits with banks	3,712	1,975
Federal funds sold	88,260	66,832
Mortgage loans held for sale	1,323	1,042
Securities available for sale	902,970	840,118
Securities held to maturity (fair value of $51,770 and $75,507)	51,368	75,522
Loans, net of unearned income of $50,063 and $70,554	4,814,435	4,614,780
Allowance for loan losses	(65,059)	(57,124)
Net Loans	4,749,376	4,557,656
Premises and equipment	149,518	140,180
Other assets	295,075	235,527
	$6,488,383	$6,126,792
Liabilities		
Deposits:		
Non-interest bearing	$ 798,960	$ 721,952
Interest bearing	4,300,116	4,191,802
Total Deposits	5,099,076	4,913,754
Other liabilities	98,722	85,624
Short-term borrowings	375,754	356,263
Long-term debt	342,424	267,729
Total Liabilities	5,915,976	5,623,370
Stockholders' Equity		
Preferred stock - $0.01 and $10 par value		
Authorized - 20,000,000 shares		
Issued - 147,033 and 167,732 shares		
Aggregate liquidation value - $3,676 and $4,193	1	1,678
Common Stock - $0.01 and $2 par value		
Authorized - 500,000,000 and 100,000,000 shares		
Issued - 41,781,837 and 39,905,863 shares	418	79,812
Additional paid-in capital	444,549	328,037
Retained earnings	119,256	131,292
Accumulated other comprehensive income	9,845	1,603
Treasury stock - 63,178 and 1,835,140 shares at cost	(1,662)	(39,000)
Total Stockholders' Equity	572,407	503,422
	$6,488,383	$6,126,792

See accompanying Notes to Consolidated Financial Statements

-2-

F.N.B. Corporation and Subsidiaries
Consolidated Income Statements

Dollars in thousands, except per share data

Year Ended December 31	2001	2000	1999
Interest Income			
Loans, including fees	$388,933	$392,473	$343,356
Securities:			
Taxable	45,610	43,521	44,721
Nontaxable	7,558	7,007	7,538
Dividends	2,791	4,051	3,043
Other	5,474	3,658	3,256
Total Interest Income	450,366	450,710	401,914
Interest Expense			
Deposits	167,108	174,025	141,807
Short-term borrowings	15,026	21,072	14,905
Long-term debt	18,166	16,284	12,058
Total Interest Expense	200,300	211,381	168,770
Net Interest Income	250,066	239,329	233,144
Provision for loan losses	31,195	17,982	15,776
Net Interest Income After Provision For Loan Losses	218,871	221,347	217,368
Non-Interest Income			
Insurance premiums, commissions and fees	35,153	24,982	17,058
Service charges	36,086	32,749	30,656
Trust	9,077	8,831	7,884
Gain on sale of securities	1,828	212	1,760
Gain on sale of loans	6,562	3,184	2,187
Other	11,289	10,027	10,269
Total Non-Interest Income	99,995	79,985	69,814
	318,866	301,332	287,182
Non-Interest Expenses			
Salaries and employee benefits	121,066	116,441	104,884
Net occupancy	16,684	14,968	14,405
Amortization of intangibles	4,785	4,090	4,093
Equipment	19,731	19,260	16,824
Merger and consolidation related	8,037	6,700	6,028
Promotional	3,809	5,242	3,710
Insurance claims paid	8,011	5,304	4,162
Other	60,724	40,207	45,858
Total Non-Interest Expenses	242,847	212,212	199,964
Income Before Income Taxes	76,019	89,120	87,218
Income taxes	23,034	27,212	26,073
Net Income	$ 52,985	$ 61,908	$ 61,145
Earnings Per Common Share			
Basic	$1.25	$1.44	$1.42
Diluted	$1.23	$1.42	$1.39

See accompanying Notes to Consolidated Financial Statements

F.N.B. Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity

Dollars in thousands, except per share data

	Compre-hensive Income	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accum Ot Com hen Inc
Balance at January 1, 1999		$2,380	$71,079	$274,036	$134,215	$
Net income	$61,145				61,145	
Change in accumulated other comprehensive income	(24,563)					(2
Comprehensive income	$36,582					
Cash dividends declared:						
Preferred stock					(411)	
Common stock $.61 per share (FNB) and $.68 per share (Promistar)					(28,408)	
Purchase of common stock						
Issuance of common stock			124	405	(3,840)	
Stock dividend			5,888	34,643	(40,531)	
Conversion of preferred stock		(305)	139	166		
Balance at December 31, 1999		2,075	77,230	309,250	122,170	(1
Net income	$61,908				61,908	
Change in accumulated other comprehensive income	17,780					1
Comprehensive income	$79,688					
Cash dividends declared:						
Preferred stock					(341)	
Common stock $.65 per share (FNB) and $.79 per share (Promistar)					(29,795)	
Purchase of common stock				(6)		
Issuance of common stock			306	1,255	(3,233)	
Stock dividend			2,085	17,332	(19,417)	
Conversion of preferred stock		(397)	191	206		
Balance at December 31, 2000		1,678	79,812	328,037	131,292	
Net income	$52,985				52,985	
Change in accumulated other comprehensive income	8,242					
Comprehensive income	$61,227					
Cash dividends declared:						
Preferred stock					(293)	
Common stock $.72 per share (FNB) and $.80 per share (Promistar)					(32,007)	
Purchase of common stock						
Issuance of common stock			1,198	5,781	(4,259)	

Stock dividend		2,437	26,025	(28,462)	
Change in par value of stock	(1,635)	(83,050)	84,685		
Conversion of preferred stock	(42)	21	21		
Balance at December 31, 2001	$ 1	$ 418	$444,549	$119,256	$

See accompanying Notes to Consolidated Financial Statements

F.N.B. Corporation and Subsidiaries
Consolidated Statements of Cash Flows

Dollars in thousands

Year Ended December 31	2001	2000	1999
Operating Activities			
Net income	$ 52,985	$ 61,908	$ 61,145
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	19,471	18,531	18,079
Provision for loan losses	31,195	17,982	15,776
Deferred taxes	2,350	(541)	(10,270)
Gain on securities available for sale	(1,828)	(212)	(1,760)
Gain on sale of loans	(6,562)	(3,184)	(2,187)
Proceeds from sale of loans	22,290	23,961	45,858
Loans originated for sale	(16,009)	(14,009)	(36,457)
Net change in:			
Interest receivable	4,510	(4,637)	898
Interest payable	(3,313)	5,459	2,363
Other, net	(36,491)	(19,961)	13,767
Net cash flows from operating activities	68,598	85,297	107,212
Investing Activities			
Net change in:			
Interest bearing deposits with banks	(1,129)	3,639	(1,365)
Federal funds sold	34,897	(1,573)	18,227
Loans	(56,498)	(232,154)	(618,117)
Securities available for sale:			
Purchases	(421,691)	(175,798)	(249,966)
Sales	141,025	38,569	47,110
Maturities	286,306	99,175	209,192
Securities held to maturity:			
Purchases	(20,259)	(1,664)	(15,747)
Maturities	44,410	18,504	124,932
Increase in premises and equipment	(21,131)	(15,250)	(20,756)
Net cash received (paid) for mergers, acquisitions and divestiture	4,908	(341)	(3,941)
Net cash flows from investing activities	(9,162)	(266,893)	(510,431)

Financing Activities			
Net change in:			
Non-interest bearing deposits, savings and NOW	78,926	77,595	25,880
Time deposits	(142,525)	228,403	88,965
Short-term borrowings	18,013	(92,291)	258,374
Increase in long-term debt	78,010	50,422	120,560
Decrease in long-term debt	(21,315)	(51,086)	(23,433)
Net acquisition of treasury stock	596	(37,585)	(3,314)
Cash dividends paid	(32,300)	(30,136)	(28,819)
Net cash flows from financing activities	(20,595)	145,322	438,213
Net Increase (Decrease) In Cash And Cash Equivalents	38,841	(36,274)	34,994
Cash and cash equivalents at beginning of year	207,940	244,214	209,220
Cash And Cash Equivalents At End Of Year	$ 246,781	$ 207,940	$ 244,214

See accompanying Notes to Consolidated Financial Statements

F.N.B. Corporation and Subsidiaries
Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

Business:
F.N.B. Corporation (the Corporation) is a diversified financial services company headquartered in Naples, Florida. The Corporation owns and operates three regional community banks, two insurance agencies, a consumer finance company and First National Trust Company. It has offices located in Florida, Pennsylvania, Ohio and Tennessee.

Basis of Presentation:
The consolidated financial statements include the accounts of the Corporation and its subsidiaries. All significant intercompany balances and transactions have been eliminated. Certain reclassifications have been made to the prior years' financial statements to conform to the current year's presentation. On January 18, 2002, Promistar Financial Corporation merged with and into the Corporation. This transaction was accounted for as a pooling-of-interests and accordingly financial information for all periods presented has been restated to present the combined financial position and results of operations as if the transaction had been in effect for all periods presented.

Use of Estimates:
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Securities:
Debt securities are classified as held to maturity when management has the positive intent and ability to hold securities to maturity. Securities held to maturity are carried at amortized cost.

Debt securities not classified as held to maturity and marketable equity

securities are classified as available for sale. Securities available for sale are carried at fair value with net unrealized securities gains (losses) reported separately as a component of other comprehensive income.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net securities gains (losses). The adjusted cost of specific securities sold is used to compute gains or losses on sales.

Presently, the Corporation has no intention of establishing a trading securities classification.

Mortgage Loans Held for Sale:

Mortgage loans held for sale are recorded at the lower of aggregate cost or market value. Gain or loss on the sale of loans is included in non-interest income.

Loans and the Allowance for Loan Losses:

Loans are reported at their outstanding principal adjusted for any charge-offs and any deferred fees or costs on originated loans.

Interest income on loans is accrued on the principal amount outstanding. It is the Corporation's policy to discontinue interest accruals when principal or interest is due and has remained unpaid for 90 days or more unless the loan is both well secured and in the process of collection. When a loan is placed on non-accrual status, all unpaid interest is reversed. Payments on non-accrual loans are generally applied to either principal or interest or both, depending upon management's evaluation of collectibility. Non-accrual loans may not be restored to accrual status until all delinquent principal and interest has been paid, or the loan becomes both well secured and in the process of collection. Consumer installment loans are generally charged off against the allowance for loan losses upon reaching 90 to 180 days past due, depending on the installment loan type. Loan origination fees and related costs are deferred and recognized over the life of the loans as an adjustment of yield.

The allowance for loan losses is based on management's evaluation of potential losses in the loan portfolio, which includes an assessment of past experience, current and future economic conditions, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and residuals and changes in the composition of the loan portfolio. Additions are made to the allowance through periodic provisions charged to income and recovery of principal on loans previously charged off. Losses of principal and/or residuals are charged to the allowance when the loss actually occurs or when a determination is made that a loss is probable.

Impaired loans are identified and measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the loan exceeds the measure of fair value, a valuation allowance is established as a component of the allowance for loan losses. Impaired loans consist of non-homogeneous loans, which based on the evaluation of current information and events, management has determined that it is probable that the Corporation will not be able to collect all amounts due according to the contractual terms of the loan agreement. The Corporation evaluates all commercial and commercial real estate loans which have been classified for regulatory reporting purposes, including

non-accrual and restructured loans, in determining impaired loans.

Premises and Equipment:
Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed generally on the straight-line method over the asset's estimated useful life. Useful lives are dependent upon the nature and condition of the asset and range from 5 to 40 years.

Other Real Estate Owned:
Assets acquired in settlement of indebtedness are included in other assets at the lower of fair value minus estimated costs to sell or at the carrying amount of the indebtedness. Subsequent write-downs and net direct operating expenses attributable to such assets are included in other expenses.

Amortization of Intangibles:
Goodwill is being amortized using the straight-line method over periods not exceeding 20 years. Core deposit intangibles are being amortized using accelerated methods over various lives ranging from 7-17 years. The Corporation periodically evaluates its goodwill and core deposit intangibles for impairment.

Income Taxes:
Income taxes are computed utilizing the liability method. Under this method deferred taxes are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Per Share Amounts:
Earnings and cash dividends per share have been adjusted for common stock dividends, including the 5 percent stock dividend declared on May 6, 2002.

Basic earnings per common share is calculated by dividing net income, adjusted for preferred stock dividends declared, by the sum of the weighted average number of shares of common stock outstanding.

Diluted earnings per common share is calculated by dividing net income by the weighted average number of shares of common stock outstanding, assuming conversion of outstanding convertible preferred stock from the beginning of the year or date of issuance and the exercise of stock options and warrants. Such adjustments to net income and the weighted average number of shares of common stock outstanding are made only when such adjustments dilute earnings per common share.

Cash Equivalents:
The Corporation considers cash and due from banks as cash and cash equivalents.

New Accounting Standards:
Financial Accounting Standards Statement (FAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," requires all derivatives to be recorded on the balance sheet at fair value and establishes standard accounting methodologies for hedging activities. Because the Corporation has not entered into any derivative transactions, the adoption of this statement did not have a material impact on the financial statements.

FAS No. 141, "Business Combinations," requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001.

FAS No. 141 also specifies criteria that intangible assets acquired in purchase business combinations must meet to be recognized and reported apart from goodwill. At December 31, 2001, the Corporation's goodwill totaled $44.4 million, of which $2.5 million was deductible for income tax purposes.

FAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of the Statement. FAS No. 142 also requires that intangibles with definite useful lives be amortized over their respective estimated useful lives to the estimated residual values, and reviewed for impairment in accordance with FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The Corporation will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of the Statement is expected to result in an increase in net income of $3.5 million, or $0.08 per share, per year. The Corporation has completed its transition impairment test and concluded that goodwill is not impaired.

Mergers, Acquisitions and Divestitures

On January 18, 2002, the Corporation completed its affiliation with Promistar Financial Corporation (Promistar), a bank holding company headquartered in Johnstown, Pennsylvania,

with assets of $2.4 billion. Under the terms of the merger agreement, each outstanding share of Promistar's common stock was converted into .926 shares of the Corporation's common stock. A total of 16,007,346 shares of the Corporation's common stock were issued. The transaction was accounted for as a pooling-of-interests. Promistar's banking affiliate, Promistar Bank, was merged into an existing subsidiary of the Corporation, First National Bank of Pennsylvania (FNBPA). The Corporation incurred a merger related charge of approximately $41.9 million during the first quarter of 2002 relating to this transaction.

On August 14, 2001, the Corporation completed its affiliation with FNH Corporation (FNH), a bank holding company headquartered in Irwin, Pennsylvania, with assets of $303.7 million. The transaction was accounted for as a purchase. Goodwill and a core deposit intangible of $7.0 million and $7.5 million, respectively, were recorded in connection with the merger. FNH's banking subsidiary, First National Bank of Herminie, was merged into Promistar Bank, which was later merged into FNBPA.

On April 30, 2001, the Corporation completed its affiliation with Citizens Community Bank of Florida (Citizens), a community bank headquartered in Marco Island, Florida, with assets of $170.0 million. Under the terms of the merger agreement, each outstanding share of Citizens common stock was converted into ..524 shares of the Corporation's common stock. A total of 1,775,224 shares of the Corporation's common stock were issued. The transaction was accounted for as a pooling-of-interests. Citizens' banking affiliate, Citizens Community Bank of Florida, was merged into an existing subsidiary of the Corporation, First National Bank of Florida (FNBFL).

On January 31, 2001 and January 5, 2001, the Corporation completed its affiliations with Ostrowsky & Associates, Inc. (Ostrowsky) and James T. Blalock (Blalock), independent insurance agencies in Cape Coral and Venice, Florida, respectively. The transactions were accounted for as purchases. Both Ostrowsky and Blalock are operating as divisions of Roger Bouchard Insurance, Inc.

(Bouchard), a wholly-owned subsidiary of the Corporation.

On January 26, 2001, the Corporation completed its affiliation with OneSource Group, Inc. (OneSource), an independent insurance agency with offices in Clearwater and Jacksonville, Florida. The transaction was accounted for as a pooling-of-interests. OneSource is operating as a division of Bouchard.

During 2000, the Corporation affiliated with Altamura, Marsh & Associates, Clearwater and Fort Myers, Florida and Connell & Herrig, Insurance, Inc., Sarasota and Englewood, Florida. These affiliations were accounted for as purchases and these acquired agencies are operating as divisions of Bouchard. Also during 2000, Regency Finance Company (Regency), purchased eight consumer finance offices. The transaction was also accounted for as a purchase and resulted in the recognition of $1.2 million of goodwill.

During 1999, the Corporation affiliated with Roger Bouchard Insurance, Inc., Clearwater, Florida, First Philson Financial Corporation, Berlin, Pennsylvania and Guaranty Bank & Trust Company, Venice, Florida. These affiliations added assets and deposits of $378.7 million and $335.0 million, respectively, and were accounted for as poolings-of-interests. The Corporation also affiliated with Gelvin, Jackson & Starr, Inc., Meadville, Pennsylvania. This transaction was accounted for as a purchase. Also during 1999, Regency expanded its size and geographic scope through the purchase of 11 consumer finance offices. This transaction was also accounted for as a purchase.

The Corporation regularly evaluates the potential acquisition of, and holds discussions with, various acquisition candidates and as a general rule the Corporation publicly announces such acquisitions only after a definitive merger agreement has been reached.

Subsequent Events (unaudited)

On January 31, 2002, the Corporation completed its affiliation with Central Bank Shares, Inc. (Central), a bank holding company headquartered in Orlando, Florida, with assets of more than $251.4 million. The transaction, which was accounted for as a purchase, resulted in the recognition of approximately $47.0 million of goodwill. Central's banking subsidiary, Bank of Central Florida, was merged into FNBFL.

Reincorporation

On June 1, 2001, the Corporation reincorporated in the state of Florida. The Corporation now operates from corporate headquarters located in Naples, Florida. The Corporation was incorporated in 1974 in Hermitage, Pennsylvania, and at that time substantially all of the Corporation's business was being conducted in Pennsylvania. The Corporation expanded into Florida four years ago. As a result of the dynamic growth experienced in that state and because of subsequent acquisitions, a significant portion of the Corporation's assets and shareholders now reside in Florida. In connection with the reincorporation, the Corporation reduced the par value of both its common stock and preferred stock to $0.01 per share.

Charter Consolidation

During the first quarter of 2001, the Corporation completed its charter consolidation plan which reduced the number of bank charters from eight to three. The Corporation's five Florida banks were merged under FNBFL and its two Pennsylvania banks were combined under FNBPA. The Corporation had previously

consolidated its Ohio banks under a single charter, Metropolitan National Bank. In connection with these charter consolidations, the trust operations of FNBFL were consolidated into the Corporation's national trust company, First National Trust Company. The Corporation incurred pre-tax consolidation charges of $3.2 million arising from legal and accounting fees, consulting fees, data processing conversion charges, early retirement and involuntary separation and related benefit costs. Involuntary separation costs associated with 42 terminated employees totaled $1.4 million of the total consolidation expense. The total amount of separation payments paid during 2001 was $1.0 million. The remaining separation costs have been paid in 2002 in accordance with the contractual terms of the employment and compensation agreements of the terminated employees.

Securities

The amortized cost and fair value of securities are as follows (in thousands):

Securities available for sale:

December 31, 2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ 408,340	$ 8,745	$ (153)	$ 416,932
Mortgage-backed securities of U.S. Government agencies	288,999	3,535	(209)	292,325
States of the U.S. and political subdivisions	146,165	665	(897)	145,933
Other debt securities	3,521	17	(1)	3,537
Total Debt Securities	847,025	12,962	(1,260)	858,727
Equity securities	40,850	3,689	(296)	44,243
	$ 887,875	$ 16,651	$ (1,556)	$ 902,970

December 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ 398,312	$ 2,039	$ (2,510)	$ 397,841
Mortgage-backed securities of U.S. Government agencies	249,610	2,457	(1,396)	250,671
States of the U.S. and political subdivisions	113,901	616	(575)	113,942
Other debt securities	1,675	11	(16)	1,670
Total Debt Securities	763,498	5,123	(4,497)	764,124
Equity securities	74,107	2,759	(872)	75,994

	$ 837,605	$ 7,882	$ (5,369)	$ 840,118

December 31, 1999	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ 408,296	$ 84	$ (16,588)	$ 391,792
Mortgage-backed securities of U.S. Government agencies	190,969	285	(4,747)	186,507
States of the U.S. and political subdivisions	114,797	64	(6,290)	108,571
Other debt securities	1,802	47	(24)	1,825
Total Debt Securities	715,864	480	(27,649)	688,695
Equity securities	83,149	3,158	(891)	85,416
	$ 799,013	$ 3,638	$ (28,540)	$ 774,111

Securities held to maturity:

December 31, 2001	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ 3,214	$ 47	$	$ 3,261
Mortgage-backed securities of U.S. Government agencies	3,068	38		3,106
States of the U.S. and political subdivisions	43,493	541	(223)	43,811
Other debt securities	1,593	1	(2)	1,592
	$ 51,368	$ 627	$ (225)	$ 51,770

December 31, 2000	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ 32,887	$ 12	$ (171)	$ 32,728
Mortgage-backed securities of U.S. Government agencies	7,091	23	(18)	7,096
States of the U.S. and political subdivisions	35,442	221	(79)	35,584
Other debt securities	102		(3)	99

	$ 75,522	$ 256	$ (271)	$ 75,507

December 31, 1999	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and other U.S. Government agencies and corporations	$ 32,886	$	$ (1,177)	$ 31,709
Mortgage-backed securities of U.S. Government agencies	15,147	10	(157)	15,000
States of the U.S. and political subdivisions	44,037	76	(656)	43,457
Other debt securities	288		(4)	284
	$ 92,358	$ 86	$ (1,994)	$ 90,450

At December 31, 2001 and 2000, securities with a carrying value of $313.4 million and $308.4 million, respectively, were pledged to secure public deposits, trust deposits and for other purposes as required by law. Securities with a carrying value of $343.3 million and $359.4 million at December 31, 2001 and 2000, respectively, were pledged as collateral for other borrowings.

As of December 31, 2001, the Corporation had not entered into any derivative transactions.

As of December 31, 2001, the amortized cost and fair value of securities, by contractual maturities, were as follows (in thousands):

	Held to Maturity		Available for Sale	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 6,611	$ 6,677	$ 52,527	$ 53,672
Due from one to five years	22,063	22,501	190,403	195,435
Due from five to ten years	19,367	19,227	230,061	232,694
Due after ten years	259	259	85,035	84,601
	48,300	48,664	558,026	566,402
Mortgage-backed securities of U.S. Government Agencies	3,068	3,106	288,999	292,325
Equity securities			40,850	44,243
	$ 51,368	$ 51,770	$ 887,875	$ 902,970

Maturities may differ from contractual terms because borrowers may have the right to call or prepay obligations with or without penalties. Periodic payments are received on mortgage-backed securities based on the payment patterns of the underlying collateral.

Proceeds from sales of securities available for sale during 2001, 2000 and 1999 were $141.0 million, $38.6 million and $47.1 million, respectively. Gross gains and gross losses were realized on those sales as follows (in thousands):

	2001	2000	1999
Gross gains	$1,836	$ 304	$1,854
Gross losses	(8)	(92)	(94)
	$1,828	$ 212	$1,760

Loans

Following is a summary of loans (in thousands):

December 31	2001	2000
Real estate:		
Residential	$1,777,403	$1,706,462
Commercial	1,282,944	1,110,833
Construction	227,868	220,754
Installment loans to individuals	774,932	832,904
Commercial, financial and agricultural	672,639	610,194
Lease financing	128,712	204,187
Unearned income	(50,063)	(70,554)
	$4,814,435	$4,614,780

The loan portfolio consists principally of loans to individuals and small- and medium-sized businesses within the Corporation's primary market area of southwest Florida, western and central Pennsylvania, northern and central Tennessee, and eastern Ohio.

As of December 31, 2001, no concentrations of loans exceeding 10% of total loans existed which were not disclosed as a separate category of loans.

Certain directors and executive officers of the Corporation and its significant subsidiaries, as well as associates of such persons, were loan customers during 2001. Such loans were made in the ordinary course of business under normal credit terms and do not represent more than a normal risk of collection. Following is a summary of the aggregate amount of loans to any such persons who had loans in excess of $60,000 during the year (in thousands):

Total loans at December 31, 2000	$ 84,388
New loans	41,595
Repayments	(47,225)
Other	(3,276)
Total loans at December 31, 2001	$ 75,482

Other represents the net change in loan balances resulting from changes in related parties during the year.

Non-Performing Assets

Following is a summary of non-performing assets (in thousands):

December 31	2001	2000
Non-accrual loans	$21,350	$21,478
Restructured loans	5,578	3,020
Total Non-Performing Loans	26,928	24,498
Other real estate owned	4,375	7,204
Total Non-Performing Assets	$31,303	$31,702

For the years ended December 31, 2001, 2000 and 1999, income recognized on non-accrual and restructured loans was $1.1 million, $964,000 and $908,000, respectively. Income that would have been recognized during 2001, 2000 and 1999 on such loans if they were in accordance with their original terms was $2.3 million, $2.9 million and $2.4 million, respectively. Loans past due 90 days or more were $5.9 million, $5.4 million and $5.4 million at December 31, 2001, 2000 and 1999, respectively.

Following is a summary of information pertaining to loans considered to be impaired (in thousands):

At of For the Year Ended December 31	2001	2000	1999
Impaired loans with an allocated allowance	$2,799	$2,717	$7,491
Impaired loans without an allocated allowance	1,023	1,577	1,762
Total impaired loans	$3,822	$4,294	$9,253
Allocated allowance on impaired loans	$1,153	$ 725	$1,957
Portion of impaired loans on non-accrual	$1,678	$3,637	$6,694
Average impaired loans	$2,735	$7,858	$7,605
Income recognized on impaired loans	$ 187	$ 297	$ 331

Allowance for Loan Losses

Following is an analysis of changes in the allowance for loan losses (in thousands):

Year Ended December 31	2001	2000	1999
Balance at beginning of year	$ 57,124	$ 52,851	$ 46,463
Addition from acquisitions	3,400	767	2,813

Charge-offs	(29,490)	(17,377)	(14,786)
Recoveries	2,830	2,901	2,585
Net Charge-Offs	(26,660)	(14,476)	(12,201)
Provision for loan losses	31,195	17,982	15,776
Balance at end of year	$ 65,059	$ 57,124	$ 52,851

Premises and Equipment

Following is a summary of premises and equipment (in thousands):

December 31	2001	2000
Land	$ 27,226	$ 26,815
Premises	137,548	125,180
Equipment	112,960	102,644
	277,734	254,639
Accumulated depreciation	(128,216)	(114,459)
	$ 149,518	$ 140,180

Depreciation expense was $14.8 million for 2001, $15.1 million for 2000 and $14.3 million for 1999.

The Corporation has operating leases extending to 2087 for certain land, office locations and equipment. Leases that expire are generally expected to be renewed or replaced by other leases. Rental expense was $7.2 million for 2001, $7.0 million for 2000 and $4.7 million for 1999. Total minimum rental commitments under such leases were $34.9 million at December 31, 2001. Following is a summary of future minimum lease payments for years following December 31, 2001 (in thousands):

2002	$ 3,640
2003	2,932
2004	1,977
2005	1,630
2006	1,074
Later years	23,619

Deposits

Following is a summary of deposits (in thousands):

December 31	2001	2000
Non-interest bearing	$ 798,960	$ 721,952
Savings and NOW	1,980,939	1,853,942
Certificates of deposit and other time deposits	2,319,177	2,337,860
	$5,099,076	$4,913,754

Following is a summary of the scheduled maturities of certificates of deposits and other time deposits for each of the five years following December 31, 2001 (in thousands):

2002	$1,668,469
2003	408,830
2004	158,433
2005	57,830
2006	25,365
Later years	250

Time deposits of $100,000 or more were $563.8 million and $605.2 million at December 31, 2001 and 2000, respectively. Following is a summary of these time deposits by remaining maturity at December 31, 2001 (in thousands):

	Certificates of Deposit	Other Time Deposits	Total
Three months or less	$129,638	$ 9,838	$139,476
Three to six months	95,318	9,593	104,911
Six to twelve months	152,633	12,460	165,093
Over twelve months	135,678	18,664	154,342
	$513,267	$50,555	$563,822

Short-Term Borrowings

Following is a summary of short-term borrowings (in thousands):

December 31	2001	2000
Securities sold under repurchase agreements	$232,952	$184,060
Federal funds purchased	6,865	865
Federal Home Loan Bank advances		42,400
Other short-term borrowings	34,101	58,630
Subordinated notes	101,836	70,308
	$375,754	$356,263

Credit facilities amounting to $118.0 million at December 31, 2001 were maintained with various banks with rates which are at or below prime rate. The facilities and their terms are periodically reviewed by the banks and are generally subject to withdrawal at their discretion. Credit facilities amounting to $30.0 million were used at December 31, 2001.

Long-Term Debt

Following is a summary of long-term debt (in thousands):

December 31	2001	2000
Federal Home Loan Bank advances	$303,743	$220,829
Other long-term debt	1,431	1,380
Subordinated notes	37,250	45,520

	$342,424	$267,729

The Corporation has available credit with the Federal Home Loan Bank of $1.3 billion, of which $303.7 million was used as of December 31, 2001. These advances are secured by residential real estate loans and Federal Home Loan Bank Stock and are scheduled to mature in various amounts periodically through the year 2010. Interest rates paid on these advances range from 4.75% to 7.19% in 2001 and 5.46% and 7.19% in 2000.

Subordinated notes are unsecured and subordinated to other indebtedness of the Corporation. The subordinated notes are scheduled to mature in various amounts periodically through the year 2011. At December 31, 2001, $27.3 million of long-term subordinated debt is redeemable by the holders prior to maturity at a discount equal to three months of interest. The Corporation may require the holder to give 30 days prior written notice. No sinking fund is required and none has been established to retire the debt. The weighted average interest rate on long-term subordinated debt was 7.24% at December 31, 2001 and 7.46% at December 31, 2000.

Scheduled annual maturities for all of the long-term debt for each of the five years following December 31, 2001 are as follows (in thousands):

2002	$ 18,629
2003	32,143
2004	1,840
2005	31,593
2006	3,406
Later years	254,813

-16-

Commitments, Credit Risk and Contingencies

The Corporation has commitments to extend credit and standby letters of credit which involve certain elements of credit risk in excess of the amount stated in the consolidated balance sheet. The Corporation's exposure to credit loss in the event of non-performance by the customer is represented by the contractual amount of those instruments. Consistent credit policies are used by the Corporation for both on- and off-balance sheet items.

Following is a summary of off-balance sheet credit risk information (in thousands):

December 31	2001	2000
Commitments to extend credit	$877,210	$783,503
Standby letters of credit	57,520	46,870

At December 31, 2001, funding of approximately 85% of the commitments to extend credit is dependent on the financial condition of the customer. The Corporation has the ability to withdraw such commitments at its discretion. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Based on management's credit evaluation of the customer, collateral may be deemed necessary. Collateral requirements vary and may include accounts receivable, inventory, property, plant and equipment

and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Corporation which may require payment at a future date. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The Corporation established a litigation reserve by recording a pre-tax charge of approximately $4.0 million to cover estimated legal expenses associated with five cases filed against one of its subsidiary banks. The plaintiffs allege that a third-party independent administrator misappropriated funds from their individual retirement accounts held by the subsidiary bank. As of April 30, 2002, the Corporation has settled all of these asserted claims except one, at an aggregate cost to the Corporation of $2.6 million. The Corporation believes the remaining reserve will be sufficient for all costs associated with the litigation, including unasserted claims, settlements and adverse judgements.

Stockholders' Equity

Series A - Cumulative Convertible Preferred Stock (Series A Preferred) was issued in 1985. Holders of Series A Preferred are entitled to 6.9 votes for each share held. The holders do not have cumulative voting rights in the election of directors. Dividends are cumulative from the date of issue and are payable at $.42 per share each quarter. Series A Preferred is convertible at the option of the holder into shares of the Corporation's common stock based on a value of $25.00 at time of conversion. The Corporation has the right to require the conversion of the balance of all outstanding shares at the conversion rate. At December 31, 2001, 19,050 shares of common stock were reserved by the Corporation for the conversion of the remaining 19,174 outstanding shares.

Series B - Cumulative Convertible Preferred Stock (Series B Preferred) was issued in 1992. Holders of Series B Preferred have no voting rights. Dividends are cumulative from the date of issue and are payable at $.46875 per share each quarter. Series B Preferred has a stated value of $25.00 per share and is convertible at the option of the holder at any time into shares of the Corporation's common stock at a value of $9.12 per share. The Corporation has the right to require the redemption of the balance of all outstanding shares at the conversion rate. During 2001, 20,679 shares of Series B Preferred were converted to 56,140 shares of common stock. At December 31, 2001, 352,639 shares of common stock were reserved by the Corporation for the conversion of the remaining 127,859 outstanding shares.

Comprehensive Income

The components of comprehensive income, net of related tax, are as follows (in thousands):

Year Ended December 31	2001	2000	1999
Net income	$52,985	$61,908	$61,145
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period, net of tax expense (benefit) of $5,080, $9,686 and $(12,638)	9,434	17,957	(23,469)
Less: reclassification adjustment for gains included in net income previously			

reflected as an unrealized gain or loss, net of tax benefit of $642, $112 and $589	(1,192)	(207)	(1,094)
Minimum pension liability adjustment		30	
Other comprehensive income	8,242	17,780	(24,563)
Comprehensive income	$61,227	$79,688	$36,582

Stock Incentive Plans

The Corporation has available up to 1,166,472 shares of common stock to be issued under the restricted stock and incentive bonus and restricted stock bonus plans to key employees of the Corporation. All shares of stock awarded under these plans vest in equal installments over a five year period on each anniversary of the date of grant. During 2001, the Corporation granted 6,115 shares of stock under these plans. The weighted average fair value of the restricted shares issued was $20.67.

The Corporation has available up to 3,008,792 shares of common stock to be issued under both incentive and non-qualified stock option plans to key employees of the Corporation. The options vest in equal installments over periods ranging from three to ten years. The options are granted at a price equal to the fair market value at the date of the grant and are exercisable within ten years from the date of the grant. Because the exercise price of the Corporation's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

In accordance with FAS No. 123, the following table shows pro forma net income and earnings per share along with significant assumptions used in the Black-Scholes option pricing model (dollars in thousands, except per share data):

Year Ended December 31	2001	2000	1999
Pro forma net income	$50,564	$59,884	$59,695
Pro forma earnings per share:			
Basic	$1.19	$1.40	$1.39
Diluted	$1.17	$1.38	$1.36
Assumptions:			
Risk-free interest rate	5.25%	6.79%	4.72%
Dividend yield	2.84%	3.37%	3.20%
Expected stock price volitility	.26%	.26%	.23%
Expected life (years)	5.00	5.00	5.00

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period of five years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferrable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility.

Because the Corporation's employee stock options have characteristics significantly different from those of traded options, and changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Activity in the Option Plan during the past three years was as follows:

	2001	Weighted Average Price per Share	2000	1999
Outstanding, beginning of year	3,014,089	$17.93	2,372,552	2,025,727
Granted during the year	696,466	20.31	855,151	632,849
Exercised during the year	(266,224)	10.99	(110,322)	(235,474)
Forfeited during the year	(206,347)	18.16	(103,292)	(50,550)
Ending balance	3,237,984	19.79	3,014,089	2,372,552

The following table summarizes information about the stock options outstanding at December 31, 2001:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$ 4.98 - $ 7.47	93,177	4.63	6.12	93,177	6.12
7.48 - 11.22	348,205	2.44	9.33	320,399	9.33
11.23 - 16.85	205,112	4.38	14.80	188,029	14.84
16.86 - 25.29	1,898,387	8.00	20.28	723,367	19.91
26.30 - 27.28	693,103	6.33	27.04	591,733	27.00
	3,237,984			1,916,705	

The Corporation has granted warrants to purchase common stock (at an exercise price of $8.57 per share). Such warrants are exercisable and will expire on December 17, 2003. The Corporation has reserved 12,429 shares of common stock for issuance in connection with these warrants.

Retirement and Other Postretirement Benefit Plans

Retirement Plans

Following are reconciliations of the change in benefit obligation, change in plan assets and funded status (in thousands):

December 31	2001	2000
Benefit obligation at beginning of year	$62,156	$51,332
Service cost	3,107	2,443
Interest cost	5,101	4,304

Plan amendments	2,946	254
Actuarial loss	6,310	2,993
Termination charge due to curtailment	94	
Conforming adjustment	412	
Adjustment for acquisition	2,365	651
One time charge for voluntary early retirement		2,270
Benefits paid	(2,797)	(2,091)
Benefit obligation at end of year	$79,694	$62,156

December 31	2001	2000
Fair value of plan assets at beginning of year	$60,214	$60,660
Actual return on plan assets	(521)	(96)
Company contribution	2,414	1,741
Adjustment for acquisition	1,154	
Benefits paid	(2,797)	(2,091)
Fair value of plan assets at end of year	$60,464	$60,214

-20-

December 31	2001	2000
Funded status of plan	$(19,229)	$(1,941)
Unrecognized actuarial loss (gain)	7,355	(6,589)
Unrecognized prior service cost	2,208	1,415
Unrecognized net transition obligation	(1,130)	(1,218)
Accrued pension cost	$(10,796)	$(8,333)

Included in the above reconciliation is the benefit obligation and fair value of plan assets for the Basic Retirement Plan which were $15.5 million and $0, respectively, as of December 31, 2001, and $9.8 million and $0, respectively, as of December 31, 2000.

The amounts recognized in the Corporation's consolidated financial statements include the following (in thousands):

December 31	2001	2000
Prepaid pension cost	$ 2,448	$ 1,177
Accrued pension cost	(13,244)	(9,510)
Additional minimum liability	(3,504)	(1,592)
Accumulated other comprehensive income		30
Intangible asset	3,504	1,562
Net amount recognized on balance sheet	$(10,796)	$(8,333)

The pension expense for the defined benefit plans included the following components (in thousands):

Year Ended December 31	2001	2000	1999
Service costs	$ 3,107	$ 2,443	$ 2,837

Interest cost	5,102	4,304	3,944
Expected return on plan assets	(4,917)	(4,860)	(4,777)
Termination charge due to curtailment	94		
Conforming adjustment	412		
Adjustment for acquisition	(174)		
One time charge for voluntary early retirement		2,270	
Net amortization	381	(284)	398
Net pension expense	$ 4,005	$ 3,873	$ 2,402

Assumptions as of December 31	2001	2000	1999
Weighted average discount rate	7.3%	7.5%	7.8%
Rates of increase in compensation levels	4.0%	4.0%	4.0%
Expected long-term rate of return on assets	8.0%	8.0%	8.0%

At December 31, 2001, plan assets include 81,712 shares of the Corporation's common stock, having a market value of $2.2 million. Dividends received on these shares totaled $61,000 for 2001. During 2000, the Corporation completed an early retirement program at Promistar, which resulted in a special termination charge of $2.3 million.

Certain subsidiaries of the Corporation participate in a qualified 401(k) defined contribution plan for the full-time employees of the subsidiary. A percentage of employees' contributions to the plan are matched by the Corporation. The Corporation's contribution expense amounted to $1.8 million in 2001, $1.3 million in 2000 and $1.1 million in 1999.

Certain subsidiaries of the Corporation participate in a Salary Savings ESOP Plan, under which eligible employees may contribute a percentage of their salary. The Corporation matches 50 percent of an eligible employee's contribution on the first 6 percent that the employee defers, and may make a discretionary contribution payable either in cash or the Corporation's common stock based upon the Corporation's profitability. Employees are generally eligible to participate upon completing one year of service and having attained age 21. Employer contributions become 20 percent vested when an employee has completed two years of service, and vest at a rate of 20 percent per year thereafter. The Corporation recognized expense of $1.4 million in 2001, $910,000 in 2000 and $1.0 million in 1999 related to the Salary Savings ESOP Plan.

Postretirement Plans

Following are reconciliations of the change in benefit obligation, change in plan assets and funded status (in thousands):

December 31	2001	2000
Benefit obligation at beginning of year	$3,331	$3,032
Service cost	96	85
Interest cost	240	216
Plan participants' contributions	137	62
Plan amendments		13
Actuarial gain	(40)	(253)
Benefits paid	(478)	(287)
Adjustment for acquisition	230	
One time charge for voluntary early retirement		471

Curtailment and settlement	18	(8)
Benefit obligation at end of year	$3,534	$3,331

December 31	2001	2000
Fair value of plan assets at beginning of year	$ 0	$ 0
Company contribution	341	225
Plan participants' contributions	137	62
Benefits paid	(478)	(287)
Fair value of plan assets at end of year	$ 0	$ 0

December 31	2001	2000
Funded status of plan	$(3,534)	$(3,331)
Unrecognized actuarial gain	(276)	(264)
Unrecognized prior service cost	67	72
Unrecognized net transition obligation	368	418
Accrued pension cost	$(3,375)	$(3,105)

-22-

Net periodic postretirement benefit cost included the following components (in thousands):

Year Ended December 31	2001	2000	1999
Service cost	$ 96	$ 85	$101
Interest cost	240	216	189
Curtailment and settlement	18	(8)	
One time charge for voluntary retirement	230	471	
Net amortization	27	33	38
Net periodic postretirement benefit cost	$611	$797	$328

Discount rates of 7.3%, 7.5% and 7.8% for 2001, 2000 and 1999, respectively, were used to determine the accumulated postretirement benefit obligation.

The assumed health care cost trend rate has a significant effect on the amounts reported. An 8.0% annual rate of increase in the per capita costs of covered health care benefits is assumed for 2002, gradually decreasing to 5.0% by the year 2005. A one percentage point change in the assumed health care cost trend rate would have had the following effects on 2001 service and interest cost and the accumulated postretirement benefit obligation at December 31, 2001 (in thousands):

	1% Increase	1% Decrease
Effect on service and interest components of net periodic cost	$ 28	$ (24)
Effect on accumulated postretirement benefit obligation	221	(194)

-23-

Income Taxes

Income tax expense consists of the following (in thousands):

Year Ended December 31	2001	2000	1999
Current income taxes:			
Federal taxes	$19,883	$27,245	$35,371
State taxes	801	508	972
	20,684	27,753	36,343
Deferred income taxes:			
Federal taxes	1,920	130	(10,270)
State taxes	430	(671)	
	$23,034	$27,212	$26,073

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are presented below (in thousands):

December 31	2001	2000
Deferred tax assets:		
Allowance for loan losses	$ 22,771	$ 19,421
Deferred compensation	4,063	3,048
Deferred benefits	4,553	3,928
Loan fees	438	332
Other	3,317	2,524
Total Gross Deferred Tax Assets	35,142	29,253
Deferred tax liabilities:		
Depreciation	(2,182)	(1,905)
Deferred gain on sale of subsidiary	(3,555)	(3,555)
Unrealized gains on securities available for sale	(5,301)	(1,013)
Leasing	(14,971)	(20,506)
Other	(1,491)	(1,855)
Total Gross Deferred Tax Liabilities	(26,009)	(26,979)
Net Deferred Tax Assets	$ 7,642	$ 419

Following is a reconciliation between tax expense using federal statutory tax and actual effective tax:

Year Ended December 31	2001	2000	1999
Federal statutory tax	35.0%	35.0%	35.0%
Effect of nontaxable interest and dividend income	(6.8)	(5.4)	(5.8)
State taxes	1.1	0.5	0.7
Goodwill	1.2	1.0	1.0
Merger related costs	0.7	0.1	0.5

Other items	(0.9)	(0.7)	(1.5)
Actual effective taxes	30.3%	30.5%	29.9%

Income tax expense related to gains on the sale of securities was $640,000, $74,000 and $616,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Earnings per Share

The following tables set forth the computation of basic and diluted earnings per share (in thousands, except per share data):

Year Ended December 31	2001	2000	1999
Basic			
Net income	$52,985	$61,908	$61,145
Less: Preferred stock dividends declared	(293)	(341)	(411)
Net income applicable to basic earnings per share	$52,692	$61,567	$60,734
Average common shares outstanding	42,180,735	42,617,465	42,745,288
Earnings per share	$1.25	$1.44	$1.42
Diluted			
Net income applicable to diluted earnings per share	$52,985	$61,908	$61,145
Average common shares outstanding	42,180,735	42,617,465	42,745,288
Convertible preferred stock	398,745	471,499	603,665
Net effect of dilutive stock options based on the treasury stock method using the average market price	644,801	425,597	566,993
	43,224,281	43,514,561	43,915,946
Earnings per share	$1.23	$1.42	$1.39

Regulatory Matters

Quantitative measures established by regulators to ensure capital adequacy require the Corporation and its banking subsidiaries to maintain minimum amounts and ratios of total and tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of tier 1 capital to average assets (as defined). Management believes, as of December 31, 2001, that the Corporation and each of its banking subsidiaries meet all capital adequacy requirements to which they are subject.

As of December 31, 2001, the Corporation and each of its banking subsidiaries have been categorized by the various regulators as "well capitalized" under the regulatory framework for prompt corrective action.

The Corporation and its banking subsidiaries are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and its banking subsidiaries must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Corporation's and banking subsidiaries' capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

-25-

Following are the capital ratios as of December 31, 2001 for the Corporation and its significant subsidiaries, First National Bank of Florida and First National Bank of Pennsylvania (dollars in thousands):

	Actual		Well Capitalized Requirements		Minimum Capit Requirements	
	Amount	Ratio	Amount	Ratio	Amount	Rat
Total Capital (to risk-weighted assets):						
F.N.B. Corporation	$568,162	11.8%	$482,049	10.0%	$385,639	8
First National Bank of Florida	173,173	10.1	171,176	10.0	136,940	8
First National Bank of Pennsylvania	315,778	11.6	271,874	10.0	217,499	8
Tier 1 Capital (to risk-weighted assets):						
F.N.B. Corporation	$506,294	10.5%	$289,230	6.0%	$192,820	4
First National Bank of Florida	154,459	9.0	102,705	6.0	68,470	4
First National Bank of Pennsylvania	281,751	10.4	163,125	6.0	108,750	4
Tier 1 Capital (to average assets):						
F.N.B. Corporation	$506,294	7.9%	$319,922	5.0%	$255,937	4
First National Bank of Florida	154,459	7.2	106,744	5.0	85,395	4
First National Bank of Pennsylvania	281,751	7.5	188,428	5.0	150,742	4

The Corporation's banking subsidiaries were required to maintain aggregate cash reserves with the Federal Reserve Bank amounting to $56.1 million at December 31, 2001. The Corporation also maintains deposits for various services such as check clearing.

Certain limitations exist under applicable law and regulations by regulatory agencies regarding dividend payments to a parent by its subsidiaries. As of December 31, 2001, the subsidiaries had $65.9 million of retained earnings available for distribution as dividends without prior regulatory approval.

Under current Federal Reserve regulations, the Corporation's banking subsidiaries are limited in the amount they may lend to non-bank affiliates,

including the Corporation. Such loans must be secured by specified collateral. In addition, any such loans to a single non-bank affiliate may not exceed 10% of any banking subsidiary's capital and surplus and the aggregate of loans to all such affiliates may not exceed 20%. The maximum amount that may be borrowed by the parent company under these provisions approximated $66.1 million at December 31, 2001.

Business Segments

The Corporation operates in three reportable segments: community banks, insurance agencies and consumer finance. The Corporation's community bank subsidiaries offer services traditionally offered by full-service commercial banks, including commercial and individual demand and time deposit accounts and commercial, mortgage and individual installment loans. In addition to traditional banking products, the Corporation's bank subsidiaries offer trust services as well as various alternative investment products, including mutual funds and annuities. The Corporation's insurance agencies are full-service insurance companies offering all lines of commercial and personal insurance through major carriers. The Corporation's consumer finance subsidiary is involved in making personal installment loans to individuals and purchasing installment sales finance contracts from retail merchants. This activity is funded through the sale of the Corporation's subordinated notes at the finance company's branch offices. The following tables provide financial information for these segments of the Corporation (in thousands). Other items shown in the table below represent the parent company, other non-bank subsidiaries and eliminations, which are necessary for purposes of reconciling to the consolidated amounts.

	Community Banks	Insurance Agencies	Finance Company	All Other	Consolid
At or for the Year Ended December 31, 2001					
Interest income	$ 423,871	$ 196	$28,555	$(2,256)	$ 450
Interest expense	191,295	232	8,711	62	200
Provision for loan losses	25,954		5,241		31
Non-interest income	61,701	26,720	1,875	9,699	99
Non-interest expense	190,073	20,724	12,407	14,858	238
Intangible amortization	3,115	775	126	769	4
Income tax expense (credit)	23,034	2,192	1,443	(3,635)	23
Net income	52,101	2,993	2,502	(4,611)	52
Core operating earnings*	56,605	2,993	2,502	(1,195)	60
Total assets	6,277,928	29,761	153,706	26,988	6,488
Goodwill	28,307	14,255	1,809		44
At or for the Year Ended December 31, 2000					
Interest income	$ 428,791	$ 164	$ 26,021	$(4,266)	$ 450
Interest expense	206,308	207	8,083	(3,217)	211
Provision for loan losses	13,767		4,245	(30)	17

Non-interest income	50,449	20,190	1,818	7,528	79
Non-interest expense	171,674	16,242	11,200	9,006	208
Intangible amortization	3,540	463	87		4
Income tax expense (credit)	25,910	1,214	1,585	(1,497)	27
Net income	58,041	2,228	2,639	(1,000)	61
Core operating income	57,780	2,228	2,639	3,379	66
Total assets	5,954,375	24,824	153,152	(5,559)	6,126
Goodwill	23,717	12,373	1,935		38
At or for the Year Ended December 31, 1999					
Interest income	$ 386,539	$ 129	$ 17,966	(2,720)	$ 401
Interest expense	165,807	179	4,586	(1,802)	168
Provision for loan losses	13,024		2,752		15
Non-interest income	45,202	14,040	1,240	9,332	69
Non-interest expense	163,437	11,762	8,208	12,464	195
Intangible amortization	3,986	64	43		4
Income tax expense (credit)	26,227	(359)	1,289	(1,084)	26
Net income	59,260	2,523	2,328	(2,966)	61
Core operating earnings*	59,322	2,523	2,328	1,088	65
Total assets	5,768,704	9,378	124,577	(10,396)	5,892
Goodwill	25,899	4,227	98		30

* Core operating earnings exclude consolidation charges of $2.1 million and merger related and other non-recurring costs of $5.8 million in 2001, gain on the sale of branches of $261,000 and merger related and other non-recurring costs of $4.4 million in 2000 and gain on the sale of branches of $366,000 and merger related and other non-recurring costs of $4.5 million in 1999, all on an after-tax basis. Such presentation is provided in order to eliminate all items deemed by management to be of a non-recurring nature.

Cash Flow Information

Following is a summary of cash flow information (in thousands):

Year Ended December 31	2001	2000	1999
Cash paid during year for:			
Interest	$203,613	$198,466	$166,221
Income taxes	23,908	33,150	17,642
Non-cash Investing and Financing Activities:			
Acquisition of real estate in settlement of loans	3,198	4,210	3,929
Loans granted in the sale of other real estate	3,178	465	176

Parent Company Financial Statements

Below is condensed financial information of F.N.B. Corporation (parent company only). In this information, the parent's investments in subsidiaries are stated at cost plus equity in undistributed earnings of subsidiaries since acquisition. This information should be read in conjunction with the consolidated financial statements.

Balance Sheet (in thousands):

December 31	2001	2000

Assets		
Cash	$ 2,080	$ 370
Short-term investments	7,534	10,409
Securities available for sale		190
Loans receivable		4,800
Premises and equipment	3,043	1,078
Other assets	26,868	8,827
Investment in bank subsidiaries	507,098	471,641
Investment in non-bank subsidiaries	217,021	194,661
Total	$763,644	$691,976
Liabilities		
Other liabilities	$ 22,041	$ 16,433
Short-term borrowings	133,357	127,632
Long-term debt	35,839	44,489
Total Liabilities	191,237	188,554
Stockholders' Equity	572,407	503,422
Total	$763,644	$691,976

Income Statement (in thousands)

Year Ended December 31	2001	2000	1999
Income			
Dividend income from subsidiaries:			
Bank	$64,839	$36,698	$44,545
Non-bank	3,691	4,570	2,165
	68,530	41,268	46,710
Interest income	574	511	667
Affiliate service fee income	23,217	25,429	23,636
Other income	903	672	864
Total Income	93,224	67,880	71,877
Expenses			
Interest expense	10,333	9,186	5,846
Salaries and personnel expense	19,327	20,474	20,591
Other expenses	17,276	10,512	12,339
Total Expenses	46,936	40,172	38,776
Income Before Taxes and Equity in Undistributed Income of Subsidiaries	46,288	27,708	33,101
Income tax benefit	7,801	4,688	3,987
	54,089	32,396	37,088

Equity in undistributed income of subsidiaries:			
Bank	(11,168)	21,123	16,020
Non-bank	10,064	8,389	8,037
	(1,104)	29,512	24,057
Net Income	$52,985	$61,908	$61,145

Statement of Cash Flows (in thousands)

Year Ended December 31	2001	2000	1999
Operating Activities			
Net income	$ 52,985	$ 61,908	$ 61,145
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of subsidiaries	1,104	(29,512)	(24,057)
Other, net	(10,847)	5,707	6,148
Net cash flows from operating activities	43,242	38,103	43,236
Investing Activities			
Net change in short-term investments	2,875	(5,283)	18,523
Securities available for sale:			
Purchases			(190)
Sales	190		
Sale (purchase) of premises and equipment	(1,965)	882	(883)
Net decrease (increase) in loans receivable	4,800	951	(3,715)
Advances from subsidiaries			1,621
Investment in subsidiaries	(12,165)	(29,714)	(39,328)
Net cash flows from investing activities	(6,265)	(33,164)	(23,972)
Financing Activities			
Net increase in short-term borrowings	5,725	57,139	20,884
Decrease in long-term debt	(15,390)	(15,686)	(17,736)
Increase in long-term debt	6,740	19,236	10,489
Net acquisition of treasury stock	(42)	(37,585)	(3,288)
Cash dividends paid	(32,300)	(29,652)	(28,410)
Net cash flows from financing activities	(35,267)	(6,548)	(18,061)
Net (Decrease) Increase In Cash	1,710	(1,609)	1,203
Cash at beginning of year	370	1,979	776
Cash At End Of Year	$ 2,080	$ 370	$ 1,979
Cash Paid			
Interest	$ 9,069	$ 8,022	$ 5,933

Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each financial instrument:

Cash and Due from Banks:
For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities:
For both securities available for sale and securities held to maturity, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans:
The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. The fair value of adjustable rate loans approximate the carrying amount.

Deposits:
The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity deposits is estimated by discounting future cash flows using rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings:
The carrying amounts for short-term borrowings approximate fair value for amounts that mature in 90 days or less. The fair value of subordinated notes is estimated by discounting future cash flows using rates currently offered.

Long-Term Debt:
The fair value of long-term debt is estimated by discounting future cash flows based on the market prices for the same or similar issues or on the current rates offered to the Corporation for debt of the same remaining maturities.

The estimated fair values of the Corporation's financial instruments are as follows (in thousands):

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and short-term investments	$ 338,753	$ 338,753	$ 276,747	$ 276,747
Securities available for sale	902,970	902,970	840,118	840,118
Securities held to maturity	51,368	51,770	75,522	75,507
Net loans, including loans held for sale	4,750,699	4,806,261	4,558,698	4,603,941
Financial Liabilities				
Deposits	$5,099,076	$5,133,729	$4,913,754	$4,861,525
Short-term borrowings	375,754	375,831	356,263	356,263
Long-term debt	342,424	357,482	267,729	272,678

F.N.B. Corporation and Subsidiaries
Selected Financial Data (Dollars in thousands, except per share data)

Year Ended December 31	2001	2000	1999	1998	199
Total interest income	$ 450,366	$ 450,710	$ 401,914	$ 389,119	$ 358
Total interest expense	200,300	211,381	168,770	170,657	152
Net interest income	250,066	239,329	233,144	218,462	205
Provision for loan losses	31,195	17,982	15,776	13,718	15
Total non-interest income	99,995	79,985	69,814	60,518	47
Total non-interest expenses	242,847	212,212	199,964	184,936	163
Net income before extraordinary items	52,985	61,908	61,145	54,775	49
Extraordinary items, net of tax					8,
Net income	52,985	61,908	61,145	54,775	58
Core operating earnings *	60,905	66,026	65,261	59,823	54
At Year-End					
Total assets	$6,488,383	$6,126,792	$5,892,263	$5,407,930	$4,934
Net loans	4,749,376	4,557,656	4,346,621	3,747,548	3,344
Deposits	5,099,076	4,913,754	4,607,051	4,492,568	4,170
Long-term debt	342,424	267,729	268,393	171,110	87
Preferred stock	1	1,678	2,075	2,380	2
Total stockholders' equity	572,407	503,422	491,436	486,988	454
Per Common Share					
Net income					
Basic	$ 1.25	$ 1.44	$ 1.42	$ 1.29	$
Diluted	1.23	1.42	1.39	1.26	
Core operating earnings *					
Basic	1.44	1.54	1.52	1.41	
Diluted	1.41	1.52	1.49	1.37	
Cash dividends (FNB)	.72	.65	.61	.59	
Cash dividends (Promistar)	.80	.79	.68	.58	
Book value	12.98	11.41	11.69	11.59	1
Ratios					
Return on average assets	.84%	1.03%	1.09%	1.05%	
Return on average assets, based on core operating earnings *	.97	1.10	1.17	1.15	
Return on average equity	9.81	12.28	12.50	11.63	1
Return on average equity, based on core operating earnings *	11.27	13.09	13.34	12.71	1
Dividend payout ratio	52.81	45.36	43.81	40.13	3
Average equity to average assets	8.58	8.42	8.75	9.05	

* Core operating earnings exclude consolidation charges of $2.1 million and merger related and other non-recurring costs of $5.8 million in 2001, gain on the sale of branches of $261,000 and merger related and other non-recurring costs of $4.4 million in 2000, gain on the sale of branches of $366,000 and merger and other non-recurring costs of $4.5 million in 1999, merger related and other non-recurring costs of $5.0 million in 1998 and extraordinary gains on the sale of a subsidiary and branches of $8.8 million and merger related and other non-recurring costs of $4.6 million in 1997, all on after-tax basis.

Such presentation is provided in order to eliminate all items deemed by management to be of a non-recurring nature.

F.N.B. Corporation and Subsidiaries
Quarterly Earnings Summary (Dollars in thousands, except per share data)

Quarter Ended 2001	Mar. 31	June 30	Sept. 30	Dec. 31
Total interest income	$114,414	$113,012	$112,549	$110,391
Total interest expense	55,638	52,071	49,160	43,431
Net interest income	58,776	60,941	63,389	66,960
Provision for loan losses	4,441	3,452	4,097	19,205
Total non-interest income	23,487	24,690	25,214	26,604
Total non-interest expenses	62,001	57,359	56,077	67,410
Net income	11,231	16,899	19,390	5,465
Core operating earnings *	16,029	19,130	20,243	5,503
Per Common Share				
Earnings				
Basic	$.27	$.41	$.45	$.12
Diluted	.27	.40	.44	.12
Core operating earnings *				
Basic	.39	.46	.47	.12
Diluted	.38	.45	.46	.12
Cash dividends (FNB)	.17	.17	.19	.19
Cash dividends (Promistar)	.20	.20	.20	.20

Quarter Ended 2000	Mar. 31	June 30	Sept. 30	Dec. 31
Total interest income	$107,752	$110,475	$115,445	$117,038
Total interest expense	47,636	50,137	55,548	58,060
Net interest income	60,116	60,338	59,897	58,978
Provision for loan losses	4,261	3,958	4,344	5,419
Total non-interest income	18,608	18,802	20,558	22,017
Total non-interest expenses	50,241	50,888	51,829	59,254
Net income	16,702	16,837	16,809	11,560
Core operating earnings	16,702	16,837	16,809	15,678
Per Common Share				
Earnings				
Basic	$.39	$.39	$.39	$.27
Diluted	.38	.39	.38	.27
Core operating earnings				
Basic	.39	.39	.39	.37
Diluted	.38	.39	.38	.37
Cash dividends (FNB)	.16	.16	.16	.17
Cash dividends (Promistar)	.19	.20	.20	.20

* Core operating earnings exclude consolidation charges of $2.1 million and merger related and other non-recurring charges of $2.7 million during the first quarter of 2001, merger related costs of $2.2 million during the second quarter of 2001, merger related costs of $853,000 during the third quarter of 2001, merger related costs of $38,000 during the fourth quarter of 2001, and merger related costs of $4.4 million and a gain on the sale of branches of $261,000 during the fourth quarter of 2000, all on an after-tax basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This financial review summarizes the combined financial condition and results of operations giving retroactive effect to the merger of Promistar Financial Corporation (Promistar) with and into F.N.B. Corporation (the Corporation), and is intended to be read in conjunction with the Consolidated Financial Statements and accompanying Notes to those statements. The merger of the Corporation and Promistar was consummated on January 18, 2002 and resulted in the Corporation issuing 16,007,346 shares of common stock. The merger has been accounted for on a pooling-of-interests basis. This financial review is presented as if the merger had been consummated for all periods presented.

Charter Consolidation

During the first quarter of 2001, the Corporation completed its charter consolidation plan which reduced the number of bank charters from eight to three. The Corporation's five Florida banks were merged under First National Bank of Florida (FNBFL) and its two Pennsylvania banks were combined under First National Bank of Pennsylvania. The Corporation had previously consolidated its Ohio banks under a single charter, Metropolitan National Bank. In connection with these charter consolidations, the trust operations of FNBFL were consolidated into the Corporation's national trust company, First National Trust Company. The Corporation incurred pre-tax consolidation charges of $3.2 million arising from legal and accounting fees, consulting fees, data processing conversion charges, early retirement and involuntary separation and related benefit costs. Involuntary separation costs associated with 42 terminated employees totaled $1.4 million of the total consolidation expense. The total amount of separation payments paid during 2001 was $1.0 million. The remaining separation costs have been paid in 2002 in accordance with the contractual terms of the employment and compensation agreements of the terminated employees.

Results of Operations
Year Ended December 31, 2001

Core operating earnings decreased 8.4% to $60.9 million in 2001 from $66.0 million in 2000. Basic earnings per share were $1.44 and $1.54 for 2001 and 2000, while diluted earnings per share were $1.41 and $1.52, respectively, for those same periods. The results for 2001 include consolidation charges of $2.1 million and merger related and other non-recurring charges of $5.8 million and the results for 2000 include merger related costs of $4.4 million and a gain on the sale of branches of $261,000, all net of tax. Including these items, net income was $53.0 million in 2001 and $61.9 million in 2000.

Net interest income, on a fully taxable equivalent basis, increased by 4.5% as net average interest earning assets increased by $256.8 million. These factors are further detailed in the discussion which follows.

Common comparative ratios for results of operations include the return on average assets and the return on average equity. Based on core operating earnings, the Corporation's return on average assets was .97% for 2001 compared to 1.10% for 2000, while the Corporation's return on average equity was 11.27% for 2001 and 13.09% for 2000. Including the non-recurring items, the Corporation had a return on average assets of .84% and 1.03% for 2001 and 2000, and a return on average equity of 9.81% and 12.28%, respectively, for those same periods.

Net Interest Income

The following table provides information regarding the average balances and yields and rates on interest earning assets and interest bearing liabilities (dollars in thousands):

Year Ended December 31,	2001			2000		
Assets:	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Y R
Interest earning assets:						
Interest bearing deposits with banks	$ 6,349	$ 195	3.07%	$ 4,525	$ 306	6
Federal funds sold	131,818	5,279	4.00	53,439	3,352	6
Taxable investment securities (1)	785,782	48,116	6.12	740,271	47,298	6
Non-taxable investment securities	174,062	10,954	6.29	160,152	10,978	6
Loans (2)(3)	4,676,382	392,332	8.39	4,559,160	394,897	8
Total interest earning assets	5,774,393	456,876	7.91	5,517,547	456,831	8
Cash and due from banks	179,183			176,074		
Allowance for loan losses	(57,795)			(55,590)		
Premises and equipment	142,157			141,475		
Other assets	256,716			208,262		
	$6,294,654			$5,987,768		
Liabilities						
Interest bearing liabilities:						
Deposits:						
Interest bearing demand	$ 831,959	14,292	1.72	$ 989,461	19,023	1
Savings	1,054,017	22,590	2.14	812,960	27,048	3
Other time	2,354,961	130,226	5.53	2,263,106	127,954	5
Short-term borrowings	364,420	15,026	4.12	365,301	21,072	5
Long-term debt	310,498	18,166	5.85	275,817	16,284	5
Total interest bearing liabilities	4,915,855	200,300	4.07	4,706,645	211,381	4
Non-interest bearing demand deposits	741,298			689,385		
Other liabilities	97,306			87,479		
	5,754,459			5,483,509		
Stockholders' equity	540,195			504,259		
	$6,294,654			$5,987,768		
Excess of interest earning assets over interest bearing liabilities	$ 858,538			$ 810,902		
Net interest income		$256,576			$245,450	

Net interest spread	3.84%	3
	=====	==
Net interest margin (4)	4.44%	4
	=====	==

(1) The average balances and yields earned on securities are based on historical cost.

(2) The amounts are reflected on a fully taxable equivalent basis using the federal statutory tax rate of 35%, adjusted for certain federal tax preferences.

(3) Average balances include non-accrual loans. Loans consist of average total loans less average unearned income. The amount of loan fees included in interest income on loans is immaterial.

(4) Net interest margin is calculated by dividing the difference between total interest earned and total interest paid by total interest earning assets.

-36-

Net interest income, the Corporation's primary source of earnings, is the amount by which interest and fees generated by earning assets, primarily loans and securities, exceed interest expense on deposits and borrowed funds. Net interest income, on a fully taxable equivalent basis, totaled $256.6 million in 2001 versus $245.5 million in 2000. Net interest income consisted of interest income of $456.9 million and interest expense of $200.3 million in 2001, compared to $456.8 million and $211.4 million for each, respectively, in 2000. The Corporation's net interest margin decreased slightly to 4.44% for 2001.

During 2001, the Federal Reserve Bank reduced its federal funds rate an unprecedented 11 times. This monetary policy significantly influenced the Corporation's asset and liability management. The yield on interest earning assets decreased by 37 basis points and the rate paid on interest bearing liabilities decreased by 42 basis points. Although the current year margin has increased, there is a possibility that margin compression could arise, as further discussed within the "Liquidity and Interest Rate Sensitivity" section of this report.

Interest income on loans, on a fully taxable equivalent basis, decreased .6% from $394.9 million in 2000 to $392.3 million in 2001. This decrease was despite favorable loan volumes as average loans increased by $117.2 million.

Interest expense on deposits decreased $6.9 million or 4.0% in 2001 while average interest bearing deposits increased by $175.4 million. The average balance in time deposits and savings deposits increased $91.9 million and $241.1 million, respectively, while the average balance in interest bearing demand deposits decreased $157.5 million. The Corporation continued to successfully generate non-interest bearing deposits as such deposits increased by $51.9 million or 7.5% in 2001. Interest expense on short-term borrowings decreased by $6.0 million and the interest rate paid decreased by 165 basis points in 2001. Interest expense on long-term debt increased $1.9 million in 2001 due to a $34.7 million increase in average long-term debt.

The following table sets forth certain information regarding changes in net interest income attributable to changes in the volumes of interest earning assets and interest bearing liabilities and changes in the rates for the periods

indicated (in thousands):

Year Ended December 31,	2001			2000		
	Volume	Rate	Net	Volume	Rate	Net
Interest Income						
Interest bearing deposits						
with banks	$ 384	$ (495)	$ (111)	$ (281)	$ 104	$ (177)
Federal funds sold	2,170	(243)	1,927	(193)	772	579
Securities	118	676	794	(2,447)	1,470	(977)
Loans	3,380	(5,945)	(2,565)	39,334	9,747	49,081
	6,052	(6,007)	45	36,413	12,093	48,506
Interest Expense						
Deposits:						
Interest bearing demand	12,427	(17,158)	(4,731)	655	3,399	4,054
Savings	373	(4,831)	(4,458)	(248)	2,131	1,883
Other time	13,964	(11,692)	2,272	13,172	13,109	26,281
Short-term borrowings	(880)	(5,166)	(6,046)	2,987	3,180	6,167
Long-term debt	1,767	115	1,882	4,048	178	4,226
	27,651	(38,732)	(11,081)	20,614	21,997	42,611
Net Change	$(21,599)	$32,725	$11,126	$15,799	$(9,904)	$ 5,895

The amount of change not solely due to rate or volume changes was allocated between the change due to rate and the change due to volume based on the net size of the rate and volume changes.

Provision for Loan Losses

The provision for loan losses charged to operations is a direct result of management's analysis of the adequacy of the allowance for loan losses which takes into consideration factors, including qualitative factors, relevant to the collectibility of the existing portfolio. The provision for loan losses increased 73.5% to $31.2 million in 2001. This increase resulted primarily from the consistent application of the Corporation's charge-off policy and methodology for determining the adequacy of the allowance for loan losses to acquired affiliates. (See the "Non-Performing Loans and Allowance for Loan Losses" section of this report).

Non-Interest Income

Total non-interest income increased 25.0% from $80.0 million in 2000 to $100.0 million in 2001. Exclusive of gains on the sale of securities, non-interest income increased by 23.1%. This increase was primarily attributable to the Corporation's continued transformation to a diversified financial services company. The Corporation has dedicated significant resources to expanding traditional banking services and generating insurance premiums, commissions and fees, investment service charges and trust fees.

Insurance commissions and fees, service charges and trust fees increased 20.7% from $66.6 million in 2000 to $80.3 million in 2001. These higher levels of fee income are attributable to growth in insurance, expanded banking services and

the Corporation's continued focus on providing a wide array of wealth management services, such as annuities, mutual funds and trust services. This increase was accompanied by increases of $1.6 million in gains on the sale of securities and $3.4 million in gains on the sale of loans.

Non-Interest Expenses

Total non-interest expense increased from $212.2 million in 2000 to $242.8 million in 2001. The increase was primarily attributable to non-recurring items totaling $12.0 million in 2001. During 2001, the Corporation recorded $4.0 million to cover estimated legal expenses associated with five cases filed against one of the Corporation's subsidiary banks. The plaintiffs allege that a third-party independent administrator misappropriated funds from their individual retirement accounts held by the subsidiary bank. Additionally, the Corporation recognized $4.8 million in 2001 in merger related costs. These expenses were primarily data processing termination and conversion costs and change in control provisions. The Corporation also recognized $3.2 million in one-time charges relating to its charter consolidation plan. During 2000, the Corporation recognized $6.7 million in merger related and other non-recurring costs.

Excluding these items, non-interest expense totaled $230.8 million for 2001, an increase of 12.3% over the $205.5 million for 2000. In addition to the non-recurring items, non-interest expenses increased due to insurance agency purchases during the second half of 2000 and first half of 2001. Excluding the impact of the insurance agency purchases, non-interest expense would have increased by $20.8 million or 10.1% on a year over year basis.

-38-

Income Taxes

The Corporation's income tax expense was $23.0 million for 2001 compared to $27.2 million for 2000. The 2001 effective tax rate of 30.3% was lower than the 35.0% federal statutory tax rate due to the tax benefits resulting from tax-exempt instruments and excludable dividend income. Additional information relating to income taxes is furnished in the Notes to Consolidated Financial Statements.

Liquidity and Interest Rate Sensitivity

The Corporation's goal in liquidity management is to meet the cash flow requirements of depositors and borrowers as well as the operating cash needs of the Corporation, with cost- effective funding. Liquidity is centrally managed on a daily basis by treasury personnel. In addition, the Corporate Asset/Liability Committee (ALCO), which includes members of executive management, reviews liquidity on a periodic basis and approves significant changes in strategies which affect balance sheet or cash flow positions. The Board of Directors has established an Asset/Liability Policy in order to achieve and maintain earnings performance consistent with long-term goals while maintaining acceptable levels of interest rate risk, a "well-capitalized" balance sheet and adequate levels of liquidity. This policy designates the ALCO as the body responsible for meeting this objective.

Liquidity sources from assets include payments from loans and investments as well as the ability to securitize or sell loans and investment securities. Liquidity sources from liabilities are generated through growth in core deposits and, to a lesser extent, the use of wholesale sources which include federal funds purchased, repurchase agreements and public deposits. In addition, the

banking affiliates have the ability to borrow from the Federal Home Loan Bank (FHLB). FHLB advances are a competitively priced and reliable source of funds. The Corporation has made limited use of FHLB advances and has a large reserve available for contingency funding purposes. As of December 31, 2001, outstanding advances were $303.7 million, or 4.7% of total assets, while FHLB availability was $1.3 billion, or 19.7% of total assets.

The principal source of cash for the parent company is dividends from its subsidiaries. The parent also has approved lines of credit with several major domestic banks, which were unused as of December 31, 2001. The Corporation also issues subordinated debt on a regular basis and has access to the Federal Reserve Bank as well as access to the capital markets.

The ALCO regularly monitors various liquidity ratios and forecasts of cash position. Management believes the Corporation has sufficient liquidity available to meet its normal operating and contingency funding cash needs.

The financial performance of the Corporation is at risk from interest rate fluctuations. This interest rate risk arises due to differences between the amount of interest earning assets and interest bearing liabilities subject to repricing over a period of time, the difference between the change in various interest rates and the embedded options in certain financial instruments. The Corporation utilizes an asset/liability model to support its balance sheet strategies. The Corporation uses gap analysis, net interest income simulations and the economic value of equity to measure its interest rate risk.

The following gap analysis measures the interest rate risk of the Corporation by comparing the difference between the amount of interest earning assets and interest bearing liabilities subject to repricing over a period of time. The cumulative one-year gap ratio was 1.14 at December 31, 2001 as compared to .90 at December 31, 2000. A ratio of more than one indicates a higher level of repricing assets over repricing liabilities over the next twelve months, assuming the current interest rate.

Following is the gap analysis as of December 31, 2001 (dollars in thousands):

	Within 3 Months	4-12 Months	1-5 Years	Over 5 years	Total
Interest Earning Assets					
Interest bearing deposits with banks	$ 3,435	$ 100	$ 100	$ 77	$ 3,712
Federal funds sold	88,260				88,260
Securities	134,878	264,151	422,802	132,507	954,338
Loans, net of unearned income	1,422,613	1,082,566	1,930,105	380,474	4,815,758
	1,649,186	1,346,817	2,353,007	513,058	5,862,068
Other assets				626,315	626,315
	$1,649,186	$1,346,817	$2,353,007	$ 1,139,373	$6,488,383

Interest Bearing Liabilities

Deposits:					
Interest checking	$ 163,981			$ 727,470	$ 891,451
Savings	465,173			624,315	1,089,488
Time deposits	459,311	$1,126,348	$ 733,518		2,319,177
Borrowings	361,433	63,127	80,506	213,112	718,178
	1,449,898	1,189,475	814,024	1,564,897	5,018,294
Other liabilities				897,682	897,682
Stockholders' equity				572,407	572,407
	$1,449,898	$1,189,475	$ 814,024	$ 3,034,986	$6,488,383
Period Gap	$ 199,288	$ 157,342	$1,538,983	$(1,895,613)	
Cumulative Gap	$ 199,288	$ 356,630	$1,895,613		
Cumulative Gap as a Percent of Total Assets	3.07%	5.50%	29.21%		
Rate Sensitive Assets/ Rate Sensitive Liabilities (Cumulative)	1.14	1.14	1.55	1.17	

Net interest income simulations measure the exposure to short-term earnings from changes in market rates of interest in a more rigorous and explicit fashion. The Corporation's current financial position is combined with assumptions regarding future business to calculate net interest income under varying hypothetical rate scenarios. The economic value of equity (EVE) measures the Corporation's long-term earnings exposure from changes in market rates of interest. EVE is defined as the present value of assets minus the present value of liabilities at a point in time. A decrease in EVE due to a specified rate change indicates a decline in the long-term earnings capacity of the balance sheet assuming that the rate change remains in effect over the life of the current balance sheet. The following table presents an analysis of the potential sensitivity of the Corporation's annual net interest income and EVE to sudden and sustained changes in market rates:

December 31	2001	2000
Net interest income change (12 months):		
- 100 basis points	(1.6)%	.6 %
+ 200 basis points	.6 %	(3.0)%
Economic value of equity:		
- 100 basis points	(.8)%	(1.0)%
+ 200 basis points	(5.7)%	(2.0)%

The preceding measures assumed no change in asset/liability compositions. Thus, the measures do not reflect actions the ALCO may undertake in response to such changes in interest rates. The disclosed measures are within the limits set

forth in the Corporation's Asset/Liability Policy.

The computation of the prospective effects of hypothetical interest changes requires numerous assumptions regarding characteristics of new business and the behavior of existing positions. These business assumptions are based upon the Corporation's experience, business plans and published industry experience. Key assumptions employed in the model include asset prepayment speeds, the relative price sensitivity of certain assets and liabilities and the expected life of non-maturity deposits. Because these assumptions are inherently uncertain, actual results will differ from simulated results.

Results of Operations
Year Ended December 31, 2000

Core operating earnings increased 1.2% to $66.0 million in 2000 from $65.3 million in 1999. Basic earnings per share were $1.54 and $1.52 for 2000 and 1999, while diluted earnings per share were $1.52 and $1.49, respectively, for those same periods. The Corporation's return on average assets was 1.10% for 2000 and 1.17% for 1999, while the Corporation's return on average equity was 13.04% for 2000 and 13.34% for 1999. The results for 2000 exclude merger related costs of $4.4 million and a gain on the sale of branches of $261,000, while 1999 results exclude merger related and other non-recurring costs of $4.5 million and a gain on the sale of branches of $366,000, all net of tax. Including these items, net income was $61.9 million in 2000 and $61.1 million in 1999. Based on net income, the Corporation has a return on average assets of 1.03% for 2000 and 1.09% for 1999 and a return on average equity of 12.28% for 2000 and 12.50% for 1999.

Net interest income, on a fully taxable equivalent basis, totaled $245.5 million in 2000. Net interest income consisted of interest income of $456.8 million and interest expense of $211.4 million in 2000, compared to $408.3 million and $168.8 million for each, respectively, in 1999. The Corporation's net interest margin was 4.45% for 2000. Interest income on loans, on a fully taxable equivalent basis, increased 14.2% from $345.8 million in 1999 to $394.9 million in 2000. This increase was the result of an increase in average loans of 10.3% as well as an increase in the average yield by 30 basis points. Interest

expense on deposits increased $32.2 million or 22.7% in 2000 while average interest bearing deposits increased 5.5%. The average balance in time deposits increased $233.0 million, while the average balance in interest bearing demand deposits and savings deposits decreased by $13.7 million and $8.1 million, respectively. The average balance in non-interest bearing demand deposits increased by $44.1 million. Interest expense on short-term borrowings increased by $6.2 million or 41.4% in 2000 due to a $46.9 million increase in average short-term borrowings. Interest expense on long-term debt increased $4.2 million or 35.0% in 2000 due to a $65.3 million increase in average long-term debt.

The provision for loan losses was $18.0 million and represented an increase of 14.0% from 1999, a reflection of the Corporation's continued strong loan growth.

Total non-interest income increased 14.6% from $69.8 million in 1999 to $80.0 million in 2000. Exclusive of gains on sale of securities, non-interest income increased by 17.2%. This increase was primarily attributable to the company's transformation to a financial services company focusing resources dedicated to generating insurance premiums, commissions and fees, investment service charges and trust fees. Insurance premiums, commissions and fees, service charges and trust fees increased 19.7% from $55.6 million in 1999 to $66.6 million in 2000. These higher levels of fee income are attributable to growth in insurance,

increases in deposits and the Corporation's continued expansion into annuity and mutual funds sales and trust services. This increase was partially offset by a decrease of $1.5 million in gains on the sale of securities.

Total non-interest expense increased from $200.0 million in 1999 to $212.2 million in 2000. The increase was primarily attributable to an increase of $11.6 million in salaries and employee benefits. This increase was mainly due to the Corporation's continued expansion into non-interest revenue lines of business along with normal annual salary adjustments and the continued escalation of certain benefit costs. The Corporation recognized merger related costs of $6.7 million in 2000 and $6.0 million in 1999. These expenses were primarily data processing termination and conversion costs and change in control provisions. Also during 1999, the Corporation recorded a net insurance recovery of $883,000.

Income tax expense was $27.2 million for 2000 compared to $26.1 million for 1999. The effective tax rate of 30.5% was below the 35.0% statutory tax rate due to the tax benefits resulting from tax-exempt instruments and excludable dividend income.

Financial Condition

Lending Activity

Following is a summary of loans (dollars in thousands):

December 31	2001	2000	1999	1998	1997
Real estate:					
Residential	$1,777,403	$1,706,462	$1,615,137	$1,446,479	$1,366,41
Commercial	1,282,944	1,110,833	1,113,281	920,644	800,95
Construction	227,868	220,754	134,184	115,852	81,48
Installment loans to individuals	774,932	832,904	779,485	726,807	692,70
Commercial, financial and agricultural	672,639	610,194	579,724	512,880	466,36
Lease financing	128,712	204,187	254,252	132,266	59,85
Unearned income	(50,063)	(70,554)	(76,591)	(60,917)	(79,00
	$4,814,435	$4,614,780	$4,399,472	$3,794,011	$3,388,76

The Corporation strives to minimize credit losses by utilizing credit approval standards, diversifying its loan portfolio by industry and borrower and conducting ongoing review and management of the loan portfolio.

During 2001, 2000 and 1999 the Corporation sold $19.5 million, $23.5 million and $49.8 million, respectively, in fixed rate residential mortgages to the Federal National Mortgage Association (FNMA). These sales allowed the Corporation to avoid the potential interest rate risk of those fixed rate loans in a rising rate environment. Additionally, it created liquidity for the Corporation to continue to offer credit availability to the markets it serves.

The loan portfolio consists principally of loans to individuals and small- and medium- sized businesses within the Corporation's primary market area of southwest Florida, western and central Pennsylvania, central Tennessee and eastern Ohio.

As of December 31, 2001, no concentrations of loans exceeding 10% of total loans existed which were not disclosed as a separate category of loans. During 2000, the Corporation curtailed offering lease financing.

Following is a summary of the maturity distribution of certain loan categories based on remaining scheduled repayments of principal (in thousands):

	Within One Year	One to Five Years	After Five Years	Total
December 31, 2001				
Commercial, financial and agricultural	$305,643	$271,849	$ 95,147	$672,639
Real Estate - construction	151,366	55,892	20,610	227,868
Total	$457,009	$327,741	$115,757	$900,507

The total amount of loans due after one year includes $263.0 million with floating or adjustable rates of interest and $180.5 million with fixed rates of interest.

Non-Performing Loans

Non-performing loans include non-accrual loans and restructured loans. Non-accrual loans represent loans on which interest accruals have been discontinued. Restructured loans are loans in which the borrower has been granted a concession on the interest rate or the original repayment terms due to financial distress.

Following is a summary of non-performing loans (dollars in thousands):

December 31	2001	2000	1999	1998	1997
Non-accrual loans	$21,350	$21,478	$18,257	$18,971	$16,491
Restructured loans	5,578	3,020	3,772	2,034	1,611
	$26,928	$24,498	$22,029	$21,005	$18,102
Non-performing loans as a percentage of total loans	.56%	.53%	.50%	.55%	.53%

Following is a table showing the amounts of contractual interest income and actual interest income recorded on non-accrual and restructured loans (in thousands):

Year Ended December 31	2001	2000	1999	1998	1997
Gross interest income that would have been recorded if the loans had been current and in accordance with					

their original terms	$2,294	$2,947	$2,445	$2,462	$1,963
Interest income recorded during the year	1,083	964	908	1,166	800

Following is a summary of loans 90 days or more past due, on which interest accruals continue (dollars in thousands):

December 31	2001	2000	1999	1998	1997
Loans 90 days or more past due	$5,993	$5,383	$5,445	$3,637	$4,916
Loans 90 days or more past due as a percentage of total loans	.12%	.12%	.12%	.10%	.15%

Allowance for Loan Losses

Management considers the accounting policy for the allowance for loan losses to be a critical accounting policy. For a full description of this policy refer to the Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements. Management's analysis of the allocated portion of the allowance for loan losses includes the evaluation of the loan portfolio based upon the Corporation's internal loan grading system, evaluation of portfolio industry concentrations and the historical loss experience of the remaining balances of the various homogeneous loan pools which comprise the loan portfolio. Specific factors used in the internal loan grading system include the previous loan loss experience with the customer, the status of past due interest and principal payments on the loan, the collateral position and residual value of the loan, the quality of financial information supplied by the borrower and the general financial condition of the borrower.

The unallocated portion of the allowance is determined based on management's assessment of historical loss on the remaining portfolio segments in conjunction with the current status of economic conditions, loan loss trends, delinquency and non-accrual trends, credit administration, portfolio growth, concentrations of credit risk and other factors, including regulatory guidance. This determination inherently involves a higher degree of uncertainty and considers current risk factors that may not have yet manifested themselves in the Corporation's historical loss factors used to determine the allocated component of the allowance, and it recognizes that knowledge of the portfolio may be incomplete.

Following is a summary of changes in the allowance for loan losses (dollars in thousands):

Year Ended December 31	2001	2000	1999	1998	1997
Balance at beginning of year	$ 57,124	$ 52,851	$ 46,463	$ 43,964	$ 44,166
Reduction due to the sale of a subsidiary and loans					(3,828)
Addition due to acquisitions	3,400	767	2,813		1,167
Charge-offs:					
Real estate - mortgage	(4,649)	(2,967)	(2,375)	(1,965)	(1,788)

Installment loans to individuals	(12,685)	(10,343)	(8,887)	(8,430)	(9,598)
Lease financing	(3,270)	(1,867)	(632)	(300)	(106)
Commercial, financial and agricultural	(8,886)	(2,200)	(2,892)	(2,788)	(3,948)
	(29,490)	(17,377)	(14,786)	(13,483)	(15,440)
Recoveries:					
Real estate - mortgage	255	882	579	567	359
Installment loans to individuals	1,671	1,463	1,470	1,290	1,168
Lease financing	448	220	80	38	32
Commercial, financial and agricultural	456	336	456	369	434
	2,830	2,901	2,585	2,264	1,993
Net charge-offs	(26,660)	(14,476)	(12,201)	(11,219)	(13,447)
Provision for loan losses	31,195	17,982	15,776	13,718	15,906
Balance at end of year	$ 65,059	$ 57,124	$ 52,851	$ 46,463	$ 43,964
Net charge-offs as a percent of average loans, net of unearned income	.57%	.32%	.30%	.31%	.42%
Allowance for loan losses as a percent of total loans, net of unearned income	1.35	1.24	1.20	1.22	1.30
Allowance for loan losses as a percent of non-performing loans	241.60	233.18	239.92	221.20	242.87

The increase in the level of charge-offs and the provision for loan losses in 2001 resulted primarily from the consistent application of the Corporation's charge-off policy and methodology for determining the adequacy of the allowance for loan losses to acquired affiliates.

Following is a summary of the allocation of the allowance for loan losses (dollars in thousands):

Year Ended December 31	2001	% of Loans in each Category to total Loans	2000	% of Loans in each Category to total Loans	1999	% of Loans in each Category to total Loans	1998	% of Loans in each Category to total Loans
Commercial, financial and agricultural	$11,018	14%	$ 9,437	13%	$10,497	13%	$10,075	13%
Real estate - construction	316	5	437	5	475	3	271	2
Real estate - mortgage	18,559	63	16,953	61	14,195	62	11,195	64
Installment loans to individuals	16,353	16	13,225	18	12,136	18	10,402	19

Lease financing	5,319	2	1,093	3	847	4	812	2
Unallocated portion	13,494		15,979		14,701		13,708	
	$65,059	100%	$57,124	100%	$52,851	100%	$46,463	100%

The Corporation has allocated the allowance according to the amount deemed to be reasonably necessary to provide for the estimated losses being incurred within each of the categories of loans shown in the table above. Management's allocation considers amounts necessary for concentrations and changes in portfolio mix and volume. The allocation of the allowance should not be interpreted as an indication that loan losses in future years will occur in the same proportions or that the allocation indicates future loan loss trends. Furthermore, the portion allocated to each loan category is not the sole amount available for future losses within such categories since the total allowance is a general allowance applicable to the entire portfolio. During 2001, the Corporation allocated an additional $4.2 million of the allowance to leases and lease residuals. The Corporation determined the need to provide a more refined allocation based upon recent loss experience in the lease portfolio.

Investment Activity

Investment activities serve to enhance overall yield on earning assets while supporting interest rate sensitivity and liquidity positions. Securities purchased with the intent and ability to retain until maturity are categorized as securities held to maturity and carried at amortized cost. All other securities are categorized as securities available for sale and are recorded at fair market value. The relatively short average maturity of all securities provides a source of liquidity to the Corporation and reduces the overall market risk of the portfolio.

During 2001, securities available for sale increased by $62.9 million and securities held to maturity decreased by $24.2 million from December 31, 2000.

The following table indicates the respective maturities and weighted-average yields of securities as of December 31, 2001 (dollars in thousands):

	Amount	Weighted Average Yield
Obligations of U.S. Treasury and Other U.S. Government agencies:		
Maturing within one year	$ 48,569	6.40%
Maturing after one year within five years	172,117	5.79
Maturing after five years within ten years	197,572	5.52
Maturing after ten years	1,888	5.62
State & political subdivisions:		
Maturing within one year	11,714	6.06
Maturing after one year within five years	43,840	5.02
Maturing after five years within ten years	52,409	4.92
Maturing after ten years	81,463	4.78
Other securities:		

Maturing after one year within five years	1,541	6.42
Maturing after five years within ten years	2,080	6.53
Maturing after ten years	1,509	9.18
Mortgage-backed securities	295,393	6.02
Equity securities	44,243	6.07
TOTAL	$954,338	5.70

The weighted average yields for tax exempt securities are computed on a tax equivalent basis.

Deposits and Short-Term Borrowings

As a commercial bank holding company, the Corporation's primary source of funds is its deposits. Those deposits are provided by businesses and individuals located within the markets served by the Corporation's subsidiaries.

Total deposits increased 3.8% to $5.1 billion in 2001. This increase was due to a $127.0 million or 6.9% increase in savings and interest checking accounts and a $77.0 million or 10.7% increase in non-interest bearing deposit accounts, partially offset by a decrease of $18.7 million or 0.8% in time deposits.

Short-term borrowings, made up of repurchase agreements, federal funds purchased, Federal Home Loan Bank advances, subordinated notes and other short-term borrowings, increased by $19.5 million in 2001 to $375.8 million. The composition of short-term borrowings shifted during 2001 as increases in securities sold under repurchase agreements and subordinated notes of $48.9 million and $31.5 million, respectively, were offset by decreases in Federal Home Loan Bank advances and other short-term borrowings, of $42.4 million and $24.5 million, respectively.

Repurchase agreements are the largest component of short-term borrowings. At December 31, 2001, repurchase agreements represented 62.0% of total short-term borrowings. Following is a summary of selected information on repurchase agreements (dollars in thousands):

December 31	2001	2000	1999
Balance at end of year	$232,952	$184,060	$172,415
Maximum month-end balance	233,953	203,736	172,415
Average balance during the year	215,765	192,787	156,496
Weighted average interest rates:			
At end of year	1.58%	5.20%	3.95%
During the year	3.09%	5.06%	3.95%

Capital Resources

The assessment of capital adequacy depends on a number of factors such as asset quality, liquidity, earnings performance, changing competitive conditions and economic forces. The Corporation seeks to maintain a strong capital base to support its growth and expansion activities, to provide stability to current operations and to promote public confidence. During December of 2001, the Corporation filed a $200.0 million registration with the Securities and

Exchange Commission utilizing a shelf registration process. The Corporation may, from time to time, issue any combination of common stock, preferred stock, debt securities or trust preferred securities in one or more offerings up to a total dollar amount of $200.0 million. Capital management is a continuous process. Both the Corporation and its banking affiliates are subject to various regulatory capital requirements administered by the federal banking agencies. (See the "Regulatory Matters" section in the Notes to Consolidated Financial Statements). Stockholders' equity has increased through earnings retention by $20.7 million, $31.8 million and $32.3 million in 2001, 2000 and 1999, respectively. During 2001, the Corporation issued 2.1 million shares representing $39.5 million of capital in connection with its purchase of FNH Corporation. The Corporation also issues shares, which are initially acquired through the acquisition of treasury shares, in connection with its various benefit plans.

EXHIBIT 99.2

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Promistar Financial Corporation:

In our opinion, the consolidated balance sheet as of December 31, 2000 and the related consolidated statements of income, cash flows, changes in shareholders' equity, and comprehensive income for each of the two years in the period ended December 31, 2000 (appearing on pages 22 through 42 of the Promistar Financial Corporation 2000 Annual Report to Shareholders) present fairly, in all material respects, the financial position, results of operations and cash flows of Promistar Financial Corporation and its subsidiaries at December 31, 2000 and for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/PRICEWATERHOUSECOOPERS LLP

Harrisburg, Pennsylvania
January 23, 2001 except for Note 22, which is dated February 26, 2001